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NAFCC Statement on Childcare Funding Actions and Overall Oversight

FOR IMMEDIATE RELEASE

The National Association for Family Child Care (NAFCC) is closely monitoring recent actions by the U.S. Department of Health and Human Services (HHS) related to child care funding and federal oversight.

At this time, a freeze on [child care payments in Minnesota](#) is in effect following allegations of misuse of funds in that state. Federal officials have also [indicated that broader actions](#) nationwide, including potential payment pauses and enhanced verification requirements, are being considered. In addition, HHS has announced changes to [Child Care and Development Fund \(CCDF\)](#) payment policies, including rolling back efforts to move toward enrollment-based billing and prospective payments.

“Funding from the Child Care and Development Block Grant (CCDBG) is essential, and protecting the reliable flow of child care funds is crucial to maintaining stability, access,

and trust in the child care system,” said Erica Phillips, Executive Director of the National Association for Family Child Care. **“Every day, these funds ensure working families have access to reliable child care, and children have access to safe and nurturing environments.”** Any disruption in funding, even if proposed or temporary, creates immediate uncertainty for educators and families and places child care programs at risk of closure. Such disruptions further strain an already fragile child care system and reduce access to care for families who rely on these services to work, support their households, and contribute to the local economy.

NAFCC supports accountability and appropriate oversight in all public programs. When misuse of funds occurs, it must be investigated and addressed to ensure resources reach the children, families, and educators they are intended to support. Accountability must be targeted and evidence-based, without destabilizing the broader child care system or limiting families’ access to the child care services they need.

NAFCC represents in-home family child care educators and businesses that play a vital role in the child care supply across urban, suburban, and rural communities. In Minnesota, as in every state, family child care programs are foundational to the child care system and serve as a vital source of care for families who rely on financial assistance. These programs operate as small businesses, often on thin margins, and depend on timely payments to remain financially viable. According to [NAFCC’s most recent survey](#), 33 percent of owners report that their child care income does not cover basic program expenses.

The family child care sector nationwide has already experienced a downward trajectory. According to [Child Care Aware of America](#), there has been an 11 percent decline in licensed family child care homes between 2019 and 2022, reflecting long-standing financial pressures, including rising operating costs, workforce challenges, and inconsistent public funding. Approximately 75 percent of family child care programs accept CCDBG funds, meaning any freeze or disruption in child care payments places the remaining family child care businesses at immediate risk.

NAFCC is also concerned about policies that would roll back progress toward approaches that strengthen the child care system. Payment structures such as prospective payments, enrollment-based reimbursement, and contract-based funding are essential to building a stable, transparent, and viable child care infrastructure. These approaches create predictable funding, reduce administrative complexity, and allow providers to operate as legitimate small businesses. A strong payment infrastructure does not weaken oversight; it strengthens it by increasing transparency and supporting compliance. Building a child

care system that works for providers and families is the most effective way to protect public investments and ensure children have consistent access to care.

NAFCC will continue to monitor the situation in Minnesota and any potential federal actions that may affect other states, and we will advocate for solutions that strengthen oversight while also ensuring children and families continue to have access to the care and support they need, and that providers experience as little disruption as possible.

January 5, 2026

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